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2008 DEC -8 A 9:59

Arizona Corporation Commission

DOCKETED

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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF GOLD CANYON SEWER COMPANY,
AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
AND FOR INCREASES IN ITS RATES
AND CHARGES FOR UTILITY SERVICE
BASED THEREON.

DOCKET NO: SW-02519A-06-0015

**GOLD CANYON SEWER
COMPANY'S FILING REGARDING
RUCO'S RESPONSE TO NOTICE OF
FILING REVISED RATES AND
CHARGES**

On December 3, 2008, RUCO filed its Response to Gold Canyon's Notice of Filing and Motion to Dissapprove [sic] Gold Canyon's Proposed Revised Rates and Charges. RUCO has chosen to use this filing to cast aspersions and misrepresent the Company's motives, compelling GCSC to respond. As for the relief RUCO's seeks, GCSC has already submitted revised rates and charges that comply with Decision No. 70624 (November 19, 2008).

As reflected in the Company's November 30, 2008 notice of filing, the Commission ordered GCSC to file for Commission approval revised rates and charges. Specifically, the Commission ordered that the revised rates and charges be based on these two ordering paragraphs:

IT IS THEREFORE ORDERED that Gold Canyon Sewer Company's rate base be reduced by \$1.0 million as discussed herein and that Gold Canyon Sewer Company submit by November 30, 2008, for Commission approval, rates and charges revised per this rate base reduction. These revised

1 rates and charges will be applied on a prospective basis and
2 will not be applied retroactively.

3 IT IS FURTHER ORDERED that the weighted cost of capital
4 approved in this case shall be 8.54 percent and that Gold
5 Canyon Sewer Company submit by November 30, 2008, rates
6 and charges revised per this cost of capital. These revised
7 rates and charges will be applied on a prospective basis and
8 will not be applied retroactively.

9 Decision No. 70624 at 15-16.

10 Notwithstanding RUCO's reliance on the Commission's deliberations at Open
11 Meeting, and its apparent intent, the Commission did not order the Company to "interest
12 synchronize" its rates. In fact, the Commission didn't even order the Company to utilize a
13 hypothetical capital structure, and RUCO readily admitted that use of a hypothetical
14 capital structure does not mandate interest synchronization. The Commission simply
15 directed GCSC to determine its rates using a weighted average cost of capital of 8.54
16 percent. For this reason, RUCO's suggestion that the Company is seeking to "back door"
17 arguments already rejected is not well taken. Nor is it true. The revised rates and charges
18 the Company has filed fully comply with the Commission's order.

19 Typically, in a rate case, the Commission expressly orders the Company's rate and
20 charges. That did not happen here as the ROO did not recommend any changes in the
21 rates approved in Decision No. 69664 (June 28, 2007), and neither of the amendments
22 adopted to the ROO ordered any specific rates. Again, the Commission's order to GCSC
23 is clear: deduct \$1 million from rate base and use an 8.54 percent WACC. Perhaps due to
24 its unabashed support for the two amendments that were adopted, RUCO never pointed
25 out that neither amendment directed the Company to use a hypothetical capital structure,
26 let alone to modify its operating expenses in the manner RUCO suggests the Company
should have done when it complied with the order.

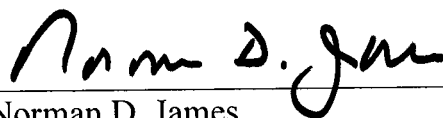
What RUCO is really suggesting is that GCSC should guess at the Commission's
intent. The Company disagrees and believes it is obligated to follow the Commission's

1 orders as written. Had GCSC believed otherwise, it certainly would have fixed the
2 obvious error in the excess capacity disallowance the Commission ordered. GCSC built
3 and paid for plant, not rate base, and as RUCO acknowledged in the case, the
4 disallowance should be to "plant" not to "rate base." Had the Company wanted to do
5 anything "through the back door," surely GCSC would have removed \$1 million of plant,
6 which is not equal to \$1 million of rate base, and then determined its rates. But that was
7 not what the Commission directed, and after consulting with Commission Staff, the
8 Company did exactly what it was directed to do.

9 Of course, if the Commission issues further orders regarding the revision of its
10 rates and charges, GCSC will comply. This is not the time or place for the Company to
11 reassert its opposition on the merits of the Commission's rehearing of its rate case. The
12 Company's has already timely filed for rehearing of Decision No. 70624 pursuant to
13 A.R.S. § 40-253, and it will be appealing that decision (and any subsequent order further
14 revising its rates). The record could be negatively impacted if the Company were to start
15 guessing and ignore the express direction of the Commission. RUCO may be 100 percent
16 correct on what the Commission intended, but the rehearing decision as written is clear on
17 what the Company was to do, and GCSC has complied.

18 DATED this 8th day of December, 2008.

19 FENNEMORE CRAIG, P.C.

20 By 
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25 Attorneys for Gold Canyon Sewer Company
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1 ORIGINAL and thirteen (13) copies of the
2 foregoing were delivered this
3 8th day of December, 2008, to:

4 Docket Control
5 Arizona Corporation Commission
6 1200 W. Washington St.
7 Phoenix, AZ 85007

8 COPIES were hand delivered
9 8th day of December, 2008, to:

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12 Arizona Corporation Commission
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1 COPIES were mailed this
2 8th day of December, 2008, to:

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